



COMPTROLLER

UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100



APR 5 2004

The Honorable Duncan Hunter  
Chairman, Committee on Armed Services  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

In accordance with statute, I am notifying you of the Department's intent to transfer \$2.175 million of Army family housing construction funds into the Department of Defense Family Housing Improvement Fund. These funds will finance a family housing privatization project at Fort Hamilton, New York.

A description of the proposed project is enclosed. Representatives of the Army are available to provide any additional information you or your staff may desire.

A similar letter is being sent to the Chairmen and Ranking Members of the other congressional defense committees.

Sincerely,

Dov S. Zakheim

Enclosure:  
As stated

cc: The Honorable Ike Skelton  
Ranking Member

## **MILITARY HOUSING PRIVATIZATION INITIATIVE PROJECT SUMMARY**

**INSTALLATION:** Fort Hamilton, New York

**SCOPE:**

This project involves a real estate transaction between the Army and its development partner, GMH Military Housing, Limited Liability Company (LLC), to support on-post family housing at Fort Hamilton, New York. Under this project the Army will convey 293 existing housing units, out-lease the underlying land for a period of 50 years, and make a direct investment of \$2.175 million to the project. In exchange, GMH Military Housing, LLC will design, construct, renovate, own, operate, maintain, and manage residential communities that will provide soldiers access to quality, affordable family housing.

Currently, there are 434 housing units at Fort Hamilton, located in three distinct housing areas; Hamilton Manor (325 units); Ocean View (103 units); and Colonel's Row (6 units). All of the Ocean View and Colonel's Row units will be conveyed along with 184 of the Hamilton Manor units for a total conveyance of 293 units. Hamilton Manor is comprised of six, six-story buildings with a total of 325 units. Two of the six buildings, containing 141 units, are no longer used for family housing and will not be conveyed. Building 135 of Hamilton Manor is vacant and will be demolished as part of a fiscal year (FY) 2005 project that has been programmed to construct a new Military Police station. (The demolition of the building will not be completed using project funds and the structure will not convey to the project.) In addition, Building 137C of Hamilton Manor will not convey to the project. It was previously converted from family housing to administrative space in order to increase the limited amount of existing administrative space on the installation.

The initial development plan of the project includes the demolition of 103 inadequate homes in Ocean View, the renovation of the six units in Colonel's Row, and construction of 222 new units. Families will continue to live in the 184 units in Hamilton Manor until the 222 newly constructed units and six renovated units are completed in year three of the project. At that time, the remaining four buildings at Hamilton Manor containing 184 units will revert back to the Army and will be demolished. Of these 184 units that revert to the Army, 119 are inadequate and will be replaced with new units constructed by the project. The remaining 65 units are surplus.

The following schedule provides further detail on the demolition, replacement, renovation and reversion of units during the three year initial development period:

<b>Initial Development Period Schedule (in Housing Units)</b>			
<b>Plan</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Existing Inventory	434		
Do Not Convey	(141)		
<b>Starting Project Inventory</b>	<b>293</b>	<b>313</b>	<b>232</b>
Demolition	(33)	(46)	(24)
Construction	53	95	74
Renovation (non additive)	2	4	-
Reversion to Army	-	(130)	(54)
<b>Ending Project Inventory</b>	<b>313</b>	<b>232</b>	<b>228</b>

The project will result in the developer owning, operating, and maintaining a total of 228 housing units over a 50-year lease period. In addition, GMH Military Housing will include modern neighborhood amenities consisting of four tot lots, landscaping, jogging and bike trails.

GMH Military Housing will obtain commercial first mortgage financing in the amount of approximately \$56.2 million, commit approximately \$2.2 million in equity to the project, and eliminate inadequate housing.

The Army's investment of 2.175 million in this project will result in the Army's acquisition of interest in a limited liability company, which will design, construct, renovate, own, operate, maintain and professionally manage this housing development. The units will be designated for occupancy by E1- O6 soldiers and their families. The Army will pay the Basic Allowance for Housing (BAH) to soldiers, who in turn will pay rent and utilities for the privatized housing. Rents will be equal to BAH minus 110 percent of the estimated utility costs.

No Defense Commissary Agency (DeCA); Army/Air Force Exchange Service or Morale Welfare Recreation (MWR) Services activities will be affected by this privatization initiative and the land lease will preclude the Selected Offeror (SO) from having any revenue generating activities that compete with DeCA or MWR/Services.

#### **AUTHORIZATION:**

**10 U.S.C. Section 2875 -- Investments.** The Army will make a direct investment of \$2.175 million in a limited liability corporation for purposes of constructing, renovating, operating, maintaining, and managing family housing.

**10 U.S.C. Section 2878 -- Conveyance or lease of existing property and facilities.** Housing units will be conveyed and land will be leased to the private development partner as part of this project.

**10 U.S.C. Section 2880 -- Unit size and type.** Housing will be renovated and constructed to community standards.

**10 U.S.C. Section 2881 -- Ancillary support facilities.** This project includes the transfer of ancillary supporting facilities, such as tot lots and playgrounds, and the construction of new ancillary facilities such as trails, community parks, etc.

**JUSTIFICATION:**

Privatization authorities allow the Army to leverage scarce funds and the value of installation assets to obtain private sector capital and expertise to manage, improve and construct on-post family housing in the United States at a life cycle cost less than using traditional appropriated funds and methods. These authorities will allow the Army and its partner to provide quality family housing and residential communities that are sustainable over time.

**SOURCE OF FUNDS:**

The Army will provide \$2.175 million from the Department of Defense Family Housing Improvement Fund (FHIF). The Army intends to transfer \$2.175 million appropriated for this project from the FY 2002 Army Family Housing Construction account to the FHIF.

<u>Fiscal Year</u>	<u>Location</u>	<u>Description</u>	<u>Amount</u>
2002	Fort Hamilton, NY	Army Family Housing Construction Account	\$2,175,000